

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Financial Position

September 30, 2016 and December 31, 2015

Assets	September 30, 2016	Restated December 31, 2015
Cash and cash equivalents	\$ 4,634,168	5,494,932
Investments	72,565,418	84,443,062
Restricted deposits and funded reserves	21,158,051	21,286,053
Accounts receivable, net	21,976,839	23,393,034
Prepaid expenses and other current assets	5,548,821	3,996,007
Assets whose use is limited	9,505,383	9,652,215
Assets whose use is limited, construction funds held by trustee	22,375,566	15,191,987
Pledges receivable	515,055	1,149,236
Property and equipment (net of accumulated depreciation of \$299,286,156 and \$289,349,725, respectively)	480,359,361	464,657,748
Assets under capital leases (net of accumulated amortization of \$1,278,865 and \$1,072,258, respectively)	420,029	484,189
Goodwill	3,551,908	3,551,908
Assets held in trust by others	17,081,604	16,994,815
Other assets	636,199	648,225
Total assets	\$ <u>660,328,401</u>	<u>650,943,411</u>

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Financial Position

September 30, 2016 and December 31, 2015

Liabilities and Net Assets	September 30, 2016	Restated December 31, 2015
	<u> </u>	<u> </u>
Accounts payable	\$ 7,942,903	18,547,236
Accrued expenses	14,115,284	18,265,304
Lines of credit	20,770,498	19,842,069
Accrued interest	1,636,836	1,534,711
Resident deposits	2,936,916	4,368,772
Entrance fee payable	31,742,765	33,899,017
Deferred revenue - entrance fees	97,161,617	87,521,447
Deferred energy costs	1,218,421	-
Fair value of interest rate hedges	80,945	80,945
Annuities payable	1,422,582	1,472,341
Obligations on capital leases	446,414	520,452
Long-term debt - senior living	265,998,654	255,269,165
Long-term debt - low income housing	<u>32,005,352</u>	<u>31,507,543</u>
Total liabilities	<u>477,479,188</u>	<u>472,829,002</u>
Net assets:		
Unrestricted (including tax credit equity of \$71,545,083 and \$73,372,852, respectively)	157,988,793	151,887,025
Temporarily restricted	1,969,820	3,400,653
Permanently restricted	<u>22,890,599</u>	<u>22,826,731</u>
Total net assets	<u>182,849,213</u>	<u>178,114,409</u>
 Total liabilities and net assets	 <u>\$ 660,328,401</u>	 <u>650,943,411</u>

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Operations and Changes in Net Assets

Quarters ended September 30, 2016 and year ended December 31, 2015

	<u>September 30, 2016</u>	<u>Restated December 31, 2015</u>
Operating revenues, gains, and other support:		
Resident services, including amortization of entrance fees of \$10,366,907 and \$13,884,894, respectively)	\$ 167,631,646	207,357,991
Sales of other services and materials	28,118	97,483
Net rental income and developers fees	775,525	766,234
Interest and dividend income	1,314,587	2,926,395
Realized loss on investments	(543,876)	(23,156)
Loss on sale of property and equipment and other assets	(416,782)	(8,162)
Contributions, grants, gifts and bequests	1,130,740	1,015,423
Net assets released from restrictions	1,430,832	2,540,277
Total operating revenues, gains, and other support	<u>171,350,790</u>	<u>214,672,485</u>
Expenses:		
Nursing services	41,379,170	50,309,312
Rehabilitation	10,930,171	13,735,163
Recreation and special services	4,593,418	5,735,542
Pharmacy	2,687,938	3,402,075
Social services	1,290,228	1,571,227
Physician services	509,331	573,599
Food services	18,565,605	21,956,450
Building operations and maintenance	22,749,873	28,577,626
Housekeeping	3,626,685	4,395,452
Laundry and linen	943,296	1,249,307
General and administrative	23,976,662	32,391,647
Employee benefits	12,086,281	14,268,622
Interest	5,623,150	7,571,896
Depreciation	17,794,306	21,191,626
Amortization	348,351	509,497
Fundraising and investment fees	667,905	1,195,580
Total expenses	<u>167,772,368</u>	<u>208,634,621</u>
Income from continuing operations	<u>3,578,422</u>	<u>6,037,864</u>
Discontinued operations:		
Discontinued operations, net of gain of \$8,278,206 in 2015	<u>—</u>	<u>8,418,006</u>
Gain on discontinued operations	<u>—</u>	<u>8,418,006</u>
Operating income	3,578,422	14,455,870
Equity received from tax credit limited partner	707,409	9,309,053
Change in fair value of interest rate swap	—	196,719
Loss on early extinguishment of debt	<u>(46,092)</u>	<u>(861,100)</u>
Excess of operating revenues, gains and other support over expenses	4,239,738	23,100,542
Other changes:		
Unrealized gain (loss) on investments	<u>1,862,030</u>	<u>(3,129,569)</u>
Total other changes	<u>1,862,030</u>	<u>(3,129,569)</u>
Net assets, as adjusted for affiliation	<u>—</u>	<u>9,291,850</u>
Increase in unrestricted net assets	6,101,768	29,262,823

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Operations and Changes in Net Assets

Quarters ended September 30, 2016 and year ended December 31, 2015

	September 30, 2016	Restated December 31, 2015
	<u> </u>	<u> </u>
Temporarily restricted net assets:		
Contributions, gifts and bequests	–	1,500,871
Interest and dividend income	–	92,253
Net assets, as adjusted for affiliation	–	(68,300)
Unrealized gain on investments	–	637,138
Net assets released from restrictions	<u>(1,430,832)</u>	<u>(2,540,277)</u>
Change in temporarily restricted net assets	(1,430,832)	(378,315)
Permanently restricted net assets:		
Contributions	–	400,912
Net asset, as adjusted for affiliation	–	2,424,292
Change in fair value of funds held in trust by others	<u>63,868</u>	<u>(919,968)</u>
Change in permanently restricted net assets	<u>63,868</u>	<u>1,905,236</u>
Change in net assets	4,734,804	30,789,744
Net assets, beginning of year	<u>178,114,409</u>	<u>147,324,665</u>
Net assets, end of year	<u><u>\$ 182,849,213</u></u>	<u><u>178,114,409</u></u>

PRESBYTERIAN SENIOR LIVING

Consolidated Statements of Cash Flows

Quarters ended September 30, 2016 and year ended December 31, 2015

	<u>September 30,</u> <u>2016</u>	<u>Restated</u> <u>December 31,</u> <u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,734,804	30,789,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in net income resulting from affiliation	-	(12,353,280)
Depreciation	17,794,306	21,191,626
Bad debt write-offs	1,726,054	2,660,763
Proceeds non-refundable from entrance fees and deposits	24,751,285	30,236,124
Amortization of entrance fees	(10,366,907)	(13,884,894)
Loss on early extinguishment of debt	46,092	861,100
Change in fair value of interest rate swaps	-	(196,719)
Unrealized (gain) loss on investments and change in fair value of funds held in trust by others	(1,925,898)	4,117,837
Realized loss on investments	543,876	23,156
Realized loss on sale of property and equipment and other assets	416,782	8,162
Contributions restricted for long-term purposes	-	(400,912)
Amortization of deferred costs	348,351	512,733
Amortization of bond premium	-	(3,236)
Gain on discontinued operation	-	(8,418,006)
Change in deferred energy costs	(28,578)	-
Changes in assets and liabilities:		
Increase in accounts receivable	(513,905)	(1,538,019)
Decrease (increase) in entrance fee receivable	204,049	(747,432)
Decrease (increase) in pledges receivable	634,181	(20,782)
(Increase) decrease in other assets	(1,741,334)	787,582
(Decrease) increase in accounts payable	(10,604,333)	5,658,390
Decrease in accrued expenses	(4,047,895)	(1,123,214)
Net cash provided by operating activities	<u>21,970,931</u>	<u>58,160,723</u>
Cash flows from investing activities:		
Acquisition of property and equipment, net of disposals	(32,601,541)	(58,038,817)
Net proceeds from sale of property and equipment	-	10,991,064
Cash acquired in affiliation	-	84,765
Net purchases of investments	<u>6,264,132</u>	<u>(4,422,756)</u>
Net cash used in investing activities	<u>(26,337,409)</u>	<u>(51,385,744)</u>
Cash flows from financing activities:		
Refunds of entrance fees and deposits	(6,176,064)	(7,788,424)
Change in entrance fee payable	(2,156,252)	(3,606,665)
Principal payments on and redemptions of long-term debt	(9,708,728)	(15,434,523)
Proceeds from issuance of long-term debt	25,290,000	80,112,142
Refunding, refinancing, or payoff of long-term debt	(4,435,209)	(46,238,166)
Purchase of treasury stock	(25,000)	(7,569,497)
Financing costs incurred	(87,664)	(539,622)
Net repayments on notes payable	-	(4,980,267)
Net repayments on lines of credit	928,429	(524,396)
Borrowings through capital leases	142,446	88,313
Repayments on capital leases	(216,484)	(231,831)
Contributions restricted for long-term purposes	-	400,912
(Decrease) increase in annuities payable	<u>(49,759)</u>	<u>7,365</u>
Net cash provided by (used in) financing activities	<u>3,505,714</u>	<u>(6,304,659)</u>
Net (decrease) increase in cash and cash equivalents	(860,764)	470,320
Cash and cash equivalents, beginning of year	<u>5,494,932</u>	<u>5,024,612</u>
Cash and cash equivalents, end of year	<u>\$ 4,634,168</u>	<u>5,494,932</u>
Supplemental schedule of non-cash investing activities		
Decrease in assets held for sale through decrease in property and equipment	\$ -	39,724
Increase in goodwill by decrease in property and equipment upon affiliation	-	1,836,908
Increase in property and equipment through increase in deferred energy costs	<u>1,247,000</u>	-